

91177



NEW ZEALAND QUALIFICATIONS AUTHORITY
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SUPERVISOR'S USE ONLY

Level 2 Accounting, 2017

91177 Interpret accounting information for entities that operate accounting subsystems

9.30 a.m. Thursday 23 November 2017
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Interpret accounting information for entities that operate accounting subsystems.	Interpret accounting information in depth for entities that operate accounting subsystems.	Interpret accounting information comprehensively for entities that operate accounting subsystems.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL the questions in this booklet.

Pull out Resource Booklet 91177R from the centre of this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–10 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL

ASSESSOR'S USE ONLY

Refer to **Resources A and B** in **Resource Booklet 91177R** when answering the questions.

QUESTION ONE

Pita Delights is owned by Jasmine, who prides herself on providing healthy takeaways with fresh, quality fillings.

- (a) Using **Resource A** and **Resource B**, complete the table of analysis measures below. (Round your answer to one decimal place, where necessary, and ignore GST.)

Analysis Measures for <i>Pita Delights</i>		
	2016	2017
Percentage change in sales	2.0%	5.4%
Mark-up percentage	41.0%	_____ %
Return on average total assets	22.7%	_____ %

Jasmine made a number of important decisions in 2017. These included keeping her prices unchanged, adding new pitas to her menu, and purchasing new equipment to make pita preparation faster, and of better quality.

- (b) Justify whether the decisions Jasmine made in 2017 have resulted in a successful year. In your answer, use information from **Resource B** and the table above to explain:
- how the new pitas affected sales
 - how the mark-up percentage changed – even though the **price** for pitas was **unchanged**, and how this contributed to an increase in gross profit
 - how the new equipment affected the return on average total assets.

QUESTION THREE

- (a) Using **Resources A** and **B**, complete the table of analysis measures below. (*Round your answers to one decimal place.*)

Analysis Measures for <i>Pita Delights</i>		
	2016	2017
Liquid ratio	_____ :1	0.9:1
Inventory turnover	_____ times per year	176.4 times per year

- (b) Explain what a liquid ratio of 0.9:1 means for *Pita Delights*.

- (c) Justify the importance of inventory turnover to *Pita Delights*. In your answer, use information from **Resource B** and the table above to explain:

- the meaning of an inventory turnover of 176.4 times per year
- why you would expect a business like *Pita Delights* to have an inventory turnover in the order of 176.4 times per year
- how *Pita Delights* has achieved this turnover while competing against other takeaways
- how an inventory turnover of 176.4 times per year affects *Pita Delights*' ability to pay debts when the liquid ratio is below 1:1.

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